



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 01/11/05

AGENDA ITEM 2

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Water Pollution Control Facility Improvements, Phase I – Approval of Plans and Specifications and Call for Bids

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolutions that:

1. Approve the plans and specifications for Water Pollution Control Facility Improvements, Phase I, and call for bids to be received on March 1, 2005; and
2. Authorize the City Manager to submit an application to the State Water Resources Control Board for funding from the State Revolving Fund.

DISCUSSION:

A comprehensive evaluation of the City's Water Pollution Control Facility (WPCF) processes in 2001 confirmed that existing facilities are not capable of providing complete and reliable wastewater treatment at projected future flows and loads. The resulting Master Plan identified improvements needed to enhance reliability and redundancy to meet the City's treatment needs in 2020 at the level of development envisioned in the City's General Plan. The plan identified the more critical needs as Phase I improvements.

In December 2001, the City Council approved the execution of an agreement with Brown and Caldwell engineering to prepare plans and specifications to construct Phase I improvements at the WPCF. Phase I consists of construction of a second trickling filter, two new final clarifiers, a solids contact tank, solids thickening facilities, and a new control structure. The design work has been completed, and the project is ready to be bid for construction. Previously, staff had indicated that the call for bids would occur in September 2004; however, this action was delayed after learning of available funding from the State Revolving Fund, as discussed further in this report.

Project Costs

Estimated project costs are summarized in the following table:

Construction	\$32,500,000
Design and design services during construction	4,625,000
Construction management services	1,500,000
Value engineering, design review and prequalification	185,000
PG&E costs	40,000
City administration, testing and surveying	<u>1,150,000</u>
Total:	\$40,000,000

Based on staff's experience with recent projects, there is a possibility that additional funding may be needed for engineering services provided by Brown and Caldwell during construction because of the complexity of the project. Also, the budget for construction management services, to be provided by Consolidated Construction Management, may need to be augmented. Staff will evaluate funding needs for these project components and make a recommendation in the future if additional monies are needed.

Project Funding

The 2004-05 Capital Improvement Program includes a total of \$41.5 million in the Sewer Capital Improvement Fund for the project. The total includes anticipated borrowing of \$33 million.

As noted above, staff is pursuing a loan from the State Water Resources Control Board State Revolving Fund (SRF) for Construction of Wastewater Facilities. The SRF makes low-interest loans available to public entities for construction and retrofit of wastewater treatment facilities. The principal advantage of the SRF loan is that the total cost of borrowing, including interest, is substantially less than open market municipal bond financing, having a cost comparable to less than a two percent interest rate compared with the five percent range for open market financing.

In January 2003, the City Council authorized the City Manager to apply for an SRF loan, but staff was unexpectedly advised later in the year that the SRF had essentially run out of money and that applications would not be processed further. This development was reported to City Council in January 2004. At that time, staff also advised Council that, in order to proceed with the project, the City would need to secure funding through conventional financing. Staff then initiated work with a financial advisory firm to structure a bond sale. However, due to the substantial advantages of an SRF loan over conventional financing, staff remained in close contact with State SRF staff, and continued to develop the project so that it would be eligible for State funding should SRF monies become available again.

Earlier this year, staff learned that the State would resume issuance of SRF loans, and that the City's project was in line to be funded. Staff updated the application documents and provided current plans and specifications for the WPCF project. The City was recently the first agency to receive a Facilities Plan Approval, a major milestone in the loan process, for this round of funding. State staff has indicated that structuring of the bond sale has been developed with several specific applications in mind, including the Hayward project. Given the level of support

that the WPCF Improvement project is receiving by the State, staff is confident that, barring an unforeseen change of direction by the State, the City will receive SRF funding for a substantial portion of the project costs in accordance with the State's funding formula.

The State has not yet made a final determination as to the percentage of eligible project costs that will be covered by the SRF loan, but it is expected that about 90 percent of the eligible costs will be funded. Some project expenses, such as administrative change orders and a percentage of design and administrative costs, are not eligible for SRF funding, and the City must identify other resources for these costs. In addition, the City has opted for the least expensive type of loan, the so-called Local Match SRF loan, which commits the City to paying for 16.7 percent of final loan amount in return for repayment of the loan in twenty equal annual payments at "zero interest."

To give the City Council a better understanding of what of the City can expect from the SRF in terms of actual dollars, the following scenario is provided. This example assumes that the low construction bid will be \$32.5 million, including \$1.5 million in administrative change orders, and that the total project cost will be \$40 million.

Total project cost:	\$40.0 Million	
Total costs eligible for SRF loan:	35.9 Million	
Anticipated SRF loan:	32.3 Million	(90% of eligible costs)
Less City match:	5.4 Million	(16.7% of SRF Loan)
Net proceeds:	\$26.9 Million	

The current Capital Improvement Program indicates that net proceeds of borrowing for this project will total \$30 million, with the remaining costs to be covered by the Sewer Improvement Fund balance. This estimated borrowing was based on the assumption that open market financing would be pursued. However, the SRF loan is not likely to net \$30 million, so it may be necessary to issue sewer revenue bonds or consider some other additional funding source to make up the additional monies needed. Also, in the unlikely event that the State is unable to provide a low-interest loan of any size, the City may need to sell revenue bonds to finance the project. Therefore, staff is continuing to work with a financial advisory firm so that bonds can be sold in a timely fashion, should it become necessary, and will return to the City Council at a later date for authorization if such financing is needed.

Staff recommends proceeding at this time with a call for bids so that construction may proceed as soon as financing is secured. Due to the various facets of construction that must be done before the winter rainy season, it is desirable to begin construction in early summer this year. Initiating the call for bids after the financing is put together could result in significant delays in starting construction. Council can be assured, however, that a contract for construction cannot be awarded until the State has approved a loan, revenue bonds have been sold, or a combination of both financing mechanisms has been put into place.

Authorization to Submit Loan Application

As noted in the previous section, the City Council adopted a resolution on January 14, 2003 to authorize the City Manager to submit a loan application to the State Water Resources Control Board for financial assistance in an amount not to exceed \$33 million. Since the precise cost for construction will not be known until bids are opened, a new resolution with a minor language change is recommended to indicate that the loan amount of \$33 million is an estimated, rather

than a not to exceed amount. This modification has been suggested by State staff responsible for SRF loan processing in order to maximize eligible funding available to the City based on the lowest bid received, rather than a ceiling amount indicated in the resolution. Other provisions in the resolution would be unchanged.

Project Labor Agreement

In earlier discussions, some Council members had expressed a desire to consider adoption of a project labor agreement (PLA) for this project. A PLA is an agreement between the project owner, contractor, subcontractors, and the labor unions regarding the terms and conditions of employment for the duration of the project, such as use of union labor, working conditions, wages, and prohibitions of strikes and lockouts. Staff researched this subject and determined that this type of agreement is not an option because the SRF is comprised partially of federal monies, and Executive Order 13202 prohibits the use of PLAs for federally funded projects.

Environmental Review

A mitigated negative declaration was prepared for this project and adopted by the City Council on January 14, 2003.

Project Schedule

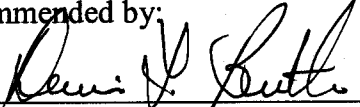
The following tentative schedule has been developed for this project:

Advertise for bids	January 11, 2005
Open bids	March 1, 2005
Award construction contract	May 10, 2005
Begin Construction	June 6, 2005
Complete construction	December 30, 2007

Prepared by:


FOR Alex Ameri, Deputy Director of Public Works

Recommended by:


Dennis L. Butler, Director of Public Works

Approved by:


Jesús Armas, City Manager

Attachments: Exhibit A – Project Plan
Exhibit B – Project Location Map

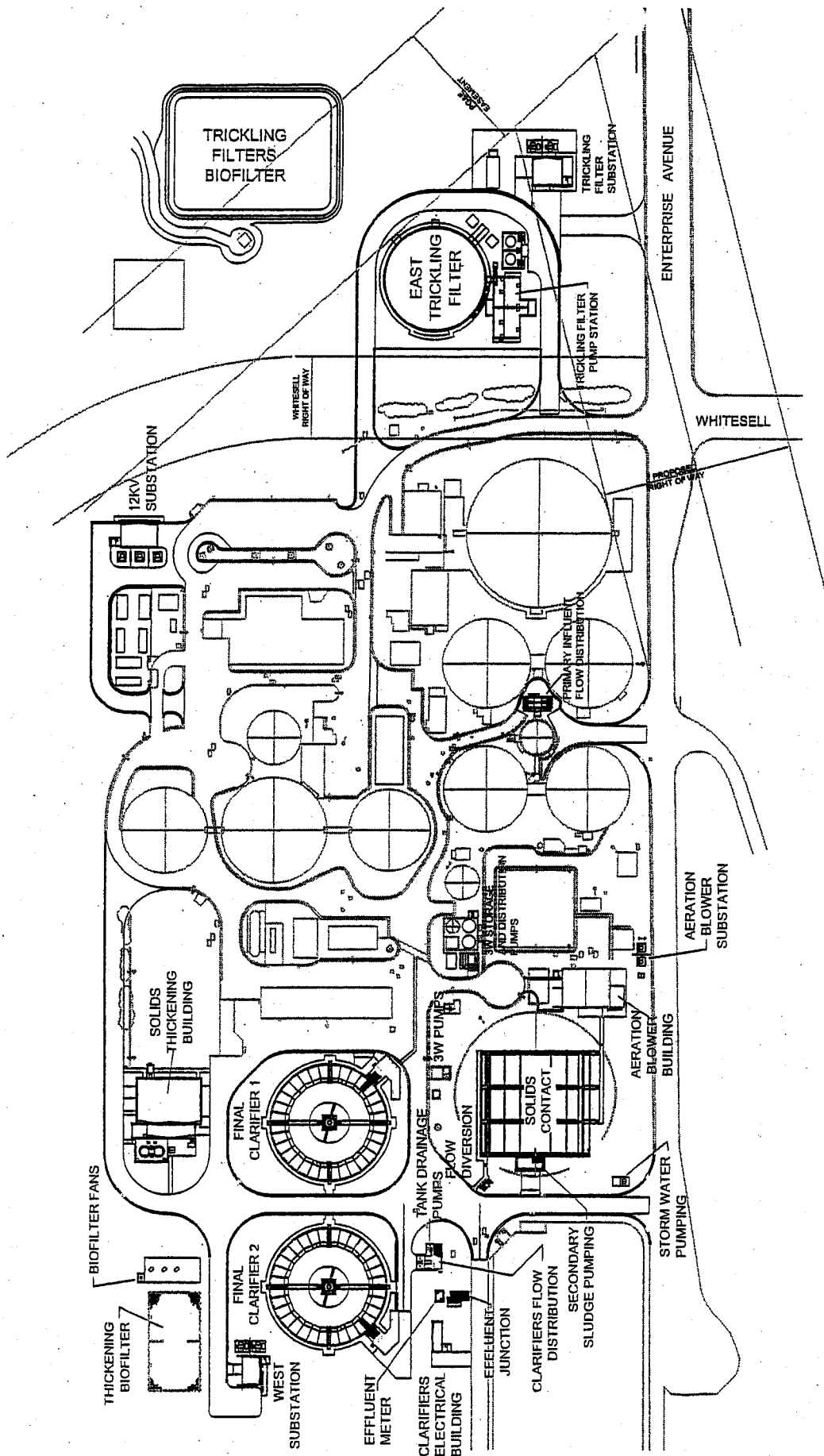
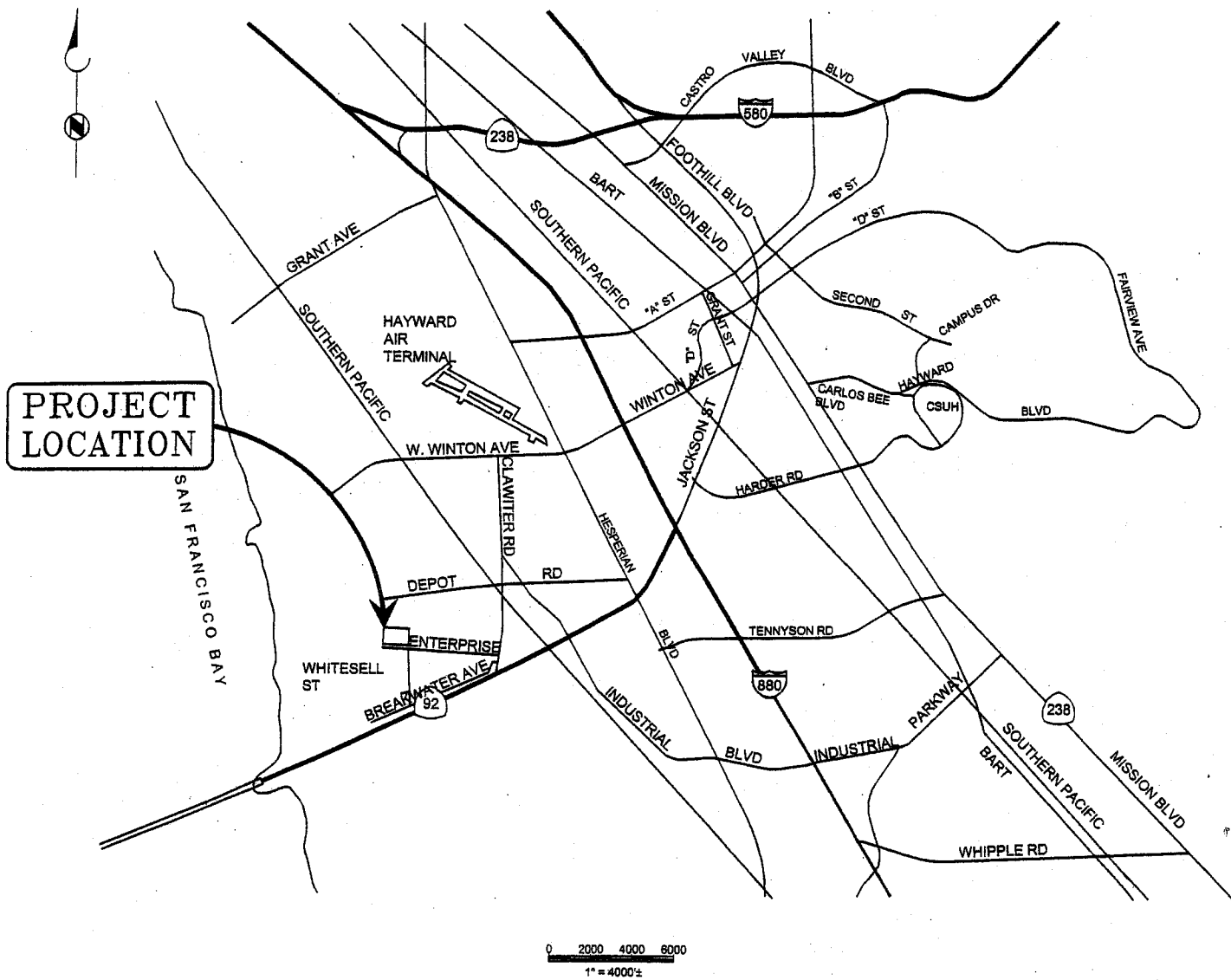


EXHIBIT 'A'

PROJECT PLAN

EXHIBIT A



LOCATION MAP

DRAFT

NH

12/28/04

HAYWARD CITY COUNCIL

RESOLUTION NO. 05-

Introduced by Council Member _____

**RESOLUTION APPROVING PLANS AND
SPECIFICATIONS FOR THE WATER POLLUTION
CONTROL FACILITY IMPROVEMENTS - PHASE I
PROJECT, PROJECT NO. 7518 AND CALL FOR BIDS**

BE IT RESOLVED by the City Council of the City of Hayward as follows:

1. That those certain plans and specifications for the Water Pollution Control Facility Improvements Phase I Project, Project No. 7518, on file in the office of the City Clerk, are hereby adopted as the plans and specifications for the project;
2. That the City Clerk is hereby directed to cause a notice calling for bids for the required work and material to be made in the form and manner provided by law;
3. That sealed bids therefor will be received by the City Clerk's office at City Hall, 777 "B" Street, 4th Floor, Hayward, California 94541-5007, up to the hour of 2:00 p.m. on Tuesday, March 1, 2005, and immediately thereafter publicly opened and declared by the City Clerk in the Public Works Conference Room, 4D, located on the 4th Floor of City Hall, Hayward, California;
4. That the City Council will consider a report on the bids at a regular meeting following the aforesaid opening and declaration of same.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DRAFT *1/3/05*

HAYWARD CITY COUNCIL

RESOLUTION NO. 05-

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO
FILE AN APPLICATION TO THE STATE WATER
RESOURCES CONTROL BOARD FOR A STATE
REVOLVING FUND LOAN TO CONSTRUCT THE WATER
POLLUTION CONTROL FACILITY IMPROVEMENTS
PHASE I PROJECT, PROJECT NO. 7518 AND EXECUTE
THE LOAN AGREEMENT

BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to submit an application on behalf of the City of Hayward, a Financial Assistance Application for a loan from the State Water Resources Control Board, State Revolving Fund in an approximate amount of \$33,000,000.

BE IT FURTHER RESOLVED that the City of Hayward hereby agrees and further does authorize the City Manager to certify that the City has and will comply with all applicable state and federal statutory and regulatory requirements related to any federal and state loan funds received.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized and directed to negotiate and execute loan contract and any amendments or change orders thereto and to certify loan disbursement on behalf of the City of Hayward.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward